MASTER
NEGATIVE
NO. 94-82183-2

COPYRIGHT STATEMENT

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted materials including foreign works under certain conditions. In addition, the United States extends protection to foreign works by means of various international conventions, bilateral agreements, and proclamations.

Under certain conditions specified in the law, libraries and archives are authorized to furnish a photocopy or other reproduction. One of these specified conditions is that the photocopy or reproduction is not to be "used for any purpose other than private study, scholarship, or research." If a user makes a request for, or later uses, a photocopy or reproduction for purposes in excess of "fair use," that user may be liable for copyright infringement.

The Columbia University Libraries reserve the right to refuse to accept a copying order if, in its judgement, fulfillment of the order would involve violation of the copyright law.

Author:
United States

Title:
Conclusions of the Federal Coordinator of...

Place:
Washington, D.C.

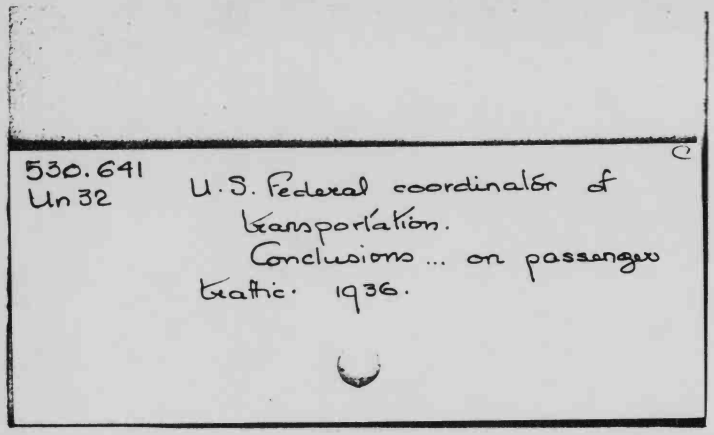
Date:
1936

94-82183-2
MASTER NEGATIVE #

COLUMBIA UNIVERSITY LIBRARIES
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD



RESTRICTIONS ON USE:

TECHNICAL MICROFORM DATA

FILM SIZE: 35mm REDUCTION RATIO: 14:1 IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 7/15/94 INITIALS: DG

TRACKING # : MSH 01714

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

2.5 mm

ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz
1234567890

2.0 mm

ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz1234567890

1.5 mm

ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz1234567890

PM-MGP 13″x18″
METRIC GENERAL PURPOSE TARGET
PHOTOGRAPHIC

200 mm

150 mm

100 mm

1.0 mm

1.5 mm

2.0 mm

2.5 mm

ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz
1234567890

ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz1234567890

ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz
1234567890

A5

A4

A3

PRECISION℠ RESOLUTION TARGETS

Century

A&P

1303 Geneva Avenue
St. Paul, MN 55119

4.5 mm

ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz
1234567890

3.5 mm

ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz1234567890

3.0 mm

ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz1234567890

U.S. Federal Coordinator of
Transportation
—
Conclusion on
Passenger Traffic.

D530.641 —— U732

D530.641 Un32

Columbia University
in the City of New York

LIBRARY

School of Business

LIBRARY
SCHOOL OF BUSINESS

CONCLUSIONS

OF THE

FEDERAL COORDINATOR OF TRANSPORTATION

ON

PASSENGER TRAFFIC

UNIVERSITY
LIBRARY

Washington, D. C.
June 1936

COLUMBIA UNIVERSITY LIBRARY

Rec. Sept. 17, 1936

FEDERAL COORDINATOR OF TRANSPORTATION
WASHINGTON

JOSEPH B. EASTMAN
COORDINATOR

June 12, 1936

To the Regional Coordinating Committees:

On January 17, 1935, I transmitted for your consideration a Passenger Traffic Report, prepared by my Section of Transportation Service. This report dealt with passenger service between cities in the United States, by private and public conveyances, railway, highway, and airway. Its objectives were: "To discover the causes which make present carrier service unprofitable; to appraise the travel market; to ascertain the essentials of a carrier service designed to satisfy modern travel requirements; to determine the price limitations of this market; to define the changes necessary in carrier facilities, methods, service, and sales promotion to fulfill these requirements within the indicated limitations of customer price and carrier cost - present and potential; and to restore carrier passenger service to a condition of solvency."

The conclusions and recommendations in this report were not drawn out of the air, but were the product of a mass of statistical and other information obtained from the railroads and their officers, from highway and air carriers, from the Pullman Company, from travel agencies and sales

Business
D 530.641
Un32

managers, and from many thousands of individual travellers.

In transmitting the report, I said:

> Until you have had the opportunity to study and comment upon the report, I shall hold my mind open with respect to its conclusions and recommendations, but I am quite clear that passenger service should not be considered and dealt with as an unavoidable but unwanted stepchild of railway operation, nor as one necessarily unprofitable. The travel habits of the American public have been tremendously stimulated in recent years and are capable of much further stimulation. It is quite possible for the railways to participate in this development and thereby share in the benefits. I am hopeful that the report will be considered as an attempt to further such a movement rather than mere captious criticism.

The Passenger Traffic Report was referred by your Committees to the Association of American Railroads for study, and on March 24, 1936, that Association sent me its comments, prepared by a special committee, upon the recommendations and statements appearing in the Report. These comments have been carefully considered, and in addition I have had the benefit of the information gathered during the past year by John C. Emery, now Co-director of my Section of Transportation Service. Mr. Emery has personally interviewed most of the railroad officers in charge of the passenger business and has kept in close touch with all important developments in the business. I now regard it as my duty, in the light of the comments of the Association of American Railroads and all other available information, to indicate my position with reference to the conclusions and recommendations in the Passenger Traffic Report.

Such a statement of my views is herewith submitted, and it speaks for itself. I may say, also, that it is in entire accord with the views of Mr. Emery, as the result of his experience during the past year.

It will be noted that I do not express my conclusions, pro or con, on each specific item in the Passenger Traffic Report. To have done so would have resulted in a document almost as bulky as the original report. It is difficult, in considering such massive reports, to retain a firm grasp on basic principles while examining the details. This difficulty was impressed upon me anew by the formal railroad comment on the Passenger Traffic Report. That comment dealt more with details and less with principles than I would have liked.

The changes in railroad passenger service which will make it profitable, like the recent changes which have already turned upward the tide of railroad travel, are fundamental changes. It is with these that I am most concerned, and I have endeavored to make my conclusions cover these while avoiding too much preoccupation with details.

In my conclusions on Merchandise Traffic, I noted the lack of progress in the past two years toward a real solution of the merchandise problem. Similar comment on the passenger traffic situation would be untrue. I am glad to recognize, and to congratulate the railroads upon, the fundamentally important steps they have taken and are taking toward a profitable passenger service. The whole railroad attitude toward

the passenger service seems to have changed, and this was necessary. The fundamentals of the problem are being attacked. By air conditioning and modernization of cars, railroad travel is being made comfortable. By the speeding up of trains, railroad travel is being made more convenient. By reductions in basic fares, railroad travel is being made economical. At the same time, attention is being given to reducing operating costs as well as to increasing traffic volume. Furthermore, these forward steps have been taken, not here and there, but quite generally over the country.

These improvements are, I believe, only the beginning of what is possible in rehabilitating the passenger branch of the railroad business. The fact that the railroads are making them augurs well for the future of the industry.

In this connection, I suggest increased consideration of light-weight cars, self-propelled, and capable of being used either singly or in multiple-unit service. One basic element still largely lacking in railroad passenger service is frequency of schedules on light-traffic lines. There are few things more important, it seems to me, especially for the development of short-haul traffic, than new facilities for quick, frequent, and flexible service at low cost. The opportunities which such service presents for reemployment of men, provided the working rules are not too restrictive and do not exceed the requirements of safety, should be made clear to the employees.

Joseph B. Eastman

Federal Coordinator of Transportation

CONCLUSIONS
of the FEDERAL COORDINATOR OF TRANSPORTATION
on PASSENGER TRAFFIC

One of the purposes of the Emergency Railroad Transportation Act, 1933, stated in Section 4, was "to encourage and promote or require action on the part of the carriers * * * which will * * * (b) control * * * other practices affecting service or operation, to the end that undue impairment of net earnings may be prevented, and (c) avoid other wastes and preventable expense." Section 13 also made it my duty "to investigate and consider means .... of improving transportation conditions .... including cost finding in rail transportation and the ability of the carriers .... to improve their properties and furnish service and charge rates which will promote the commerce and industry of the country." Pursuant to these duties, my Section of Transportation Service began a study of railroad passenger traffic. On January 10, 1935, it submitted to me its Passenger Traffic Report, hereinafter referred to as the Section Report. This Report I referred on January 17, 1935, to the Regional Coordinating Committees for study and criticism. Subsequently, it was referred by those Committees, with my consent, to the Association of American Railroads for formal criticism in behalf of the railroads. On March 24, 1936, the Association submitted to me its detailed comments on the findings of fact and the recommenda-

tions in the Section Report, together with a summary of conclusions. This document is hereinafter referred to as the Railroad Report.

It now becomes my duty to make known my conclusions with respect to passenger traffic matters, in the light of the findings, first, of my Section of Transportation Service and, second, of the committee officially representing the railroads. Having studied both the Section Report and the Railroad Report, and having given due consideration also to recent developments pertinent to the subject, but not referred to in either report, I have reached the conclusions which follow.

Both the Section Report and the Railroad Report are divided under six major headings, as follows: (1) The Travel Market; (2) Travel Requirements; (3) The Traveler's Price; (4) Carrier Sales Promotion; (5) Carrier Service; and (6) Recommendations. The Railroad Report also contains a Summary of Conclusions. For brevity, references to the contents of the two Reports will be made here only to the extent necessary to indicate the basis of my conclusions. Paragraph numbers correspond to those in the Section Report.

The Travel Market

1. The Traffic. - The Section Report, its scope embracing intercity passenger transportation of all descriptions, has as its objectives the appraisal of the travel market, essentials of modern rail service, price limitations, and changes necessary to meet these requirements. Admitting the

desirability of these objectives, the Railroad Report asserts that they duplicate the efforts constantly made by individual railroads and their associations throughout the country. It adds that the conclusions in the Section Report are based upon the opinions of those who apparently have had little experience in the practical conduct of the passenger transportation business.

2. Importance. - The Section Report stresses the importance to the railroads of passenger traffic and passenger revenues, both present and potential, and with this point the Railroad Report agrees.

3. Desirability. - There is the same agreement on the desirability of a profitable passenger traffic. However, the Section Report infers that the railroads are complacent because, if passenger service does not at present return a profit, at least it does not constitute a drain, and warns them that, with competition challenging railway supremacy in every phase of operations, railroad rates are being irresistibly forced from a value to a cost basis, and that no branch of the railroad business dares shoulder any part of the burden of another. The Railroad Report denies the existence of complacency and insists that those charged with the development of passenger traffic are alive to the situation. It agrees with the soundness of the theory that each department should pay its full costs, but adds that, in the railroad business, there are many factors which render the theory insusceptible of practical application.

The Railroad Report says further that, if the passenger service must for the present be considered a "by-product", the railroads are at least better off with it than without it.

The Section Report, to indicate that profit and passenger traffic are not irreconcilable, states that the highway passenger carriers have made their business a profitable one. The Railroad Report says this is misleading because, with railroad operations conducted in one way and highway operations in another, there is no common denominator by which a comparison would be justified.

The Section Report calls the making of their passenger service profitable a major problem of the railroads, says that the causes which keep the service from being profitable must be sought out and remedied, and concludes that the problem presents four phases; namely, determination of the market, design of the service to meet requirements, adjustment of costs to fit prices, and sale of the service. The Railroad Report says that the problem has been recognized for a long time and each phase thoroughly explored. It adds that the railroads are unusual in that they cannot always adjust costs to fit prices, nor change their prices at will.

4. Travel Contraction. - The Section Report traces the trend of railroad passenger traffic from 1871 through 1933. It holds the 20 percent increase in the basic fare in 1920 chiefly responsible for the decline in passenger revenue in 1921. It points out that railroad passenger revenues in 1933

were only a little more than a quarter of those in 1920. The Railroad Report holds that other causes, not the fare increase, were responsible for the decline in 1921, and concludes that improvements in automobiles and highways, plus greatly increased automobile ownership, were the cause of diversion of traffic from the rail lines. The Railroad Report says that the drastic contraction of railway passenger traffic is recognized as a major problem, as the Section Report states it should be, and that it is being attacked vigorously and with favorable results.

5. Market Expansion. - The Section Report traces the growth of automobile travel as proof that the travel market as a whole has expanded as rail passenger traffic has declined, and concludes that in 1933, despite the effects of the economic depression, the travel market was still over four times as great as it was in 1920. On these points, the Railroad Report makes no comment.

6. Market Possibilities. - The Section Report cites the increase in the travel market resulting from exploitation of automobile travel as an indication that the railroads, by designing a more attractive service, reducing its price and promoting its sale by modern methods, can arouse a new carrier travel market greater in volume than they have previously known, and without seriously affecting the volume of automobile travel. The Railroad Report, in turn, concludes that no substantial portion of automobile travel can be diverted to any other known means of transportation, because a large

portion of the intercity mileage is short-haul and not rail competitive. The Railroad Report refers to the use of automobiles for intercity trips by railroad employees, eligible for free rail transportation, as proof that no rate or service would draw to the railroads any appreciable amount of the traffic now moving in automobiles. It also cites the motorist's love for the sport of driving as a determinant of large importance, which leads him to make trips with no objective and which in no circumstances would be made by railroad.

7. Travel Inducements.- The Section Report lists travel inducements and describes the questionnaires by means of which public and professional opinion on the strength of these was secured. These inducements comprise the character of the service, the scale of prices and sales promotion methods. The Railroad Reports asserts that these inducements have been and are being offered.

The Section Report outlines the program to be followed, including market analysis, determination of price which can be collected from a customer who does not have to buy, establishment of a service conforming to customer needs, and sale through a planned method of sales promotion. The Railroad Report states that this suggested program, in its entirety and without exception, long has been and still is being followed by the railroads.

Travel Requirements

8. Safety. - The Section Report lists safety as the first travel requirement. There is no disagreement with this.

The Railroad Report, however, sees in the reference to extension of modern safety devices and methods, an unfounded implication that some carriers are behind the times in this regard.

9. Accessibility. - As to accessibility, the Section Report says that rail service must be "as accessible as one's car". The Railroad Report calls this impossible. The Section Report condemns the "intricate routines" involved in rail travel and says they must be eliminated. The Railroad Report says rail representatives are prepared to relieve passengers of a great deal of this, to the extent that it is less trouble to arrange a long journey by rail than one by automobile.

The Section Report outlines a complete service by rail, relieving the passenger of all arrangements except an initial telephone call. The Railroad Report says this plan is now in effect to a very large extent. It adds that the carriers may have failed to publicize adequately their readiness to serve passengers in this way.

For the suburban or local passenger, the Section Report emphasizes convenient station locations and parking facilities. The Railroad Report says these points are already being given full consideration. It objects to a quotation from a letter referring to "time-consuming, vexatious methods of catching a train", holding that in the majority of cases there is no such thing except where the passenger himself is responsible for them.

10. Hospitality. - The Section Report calls for a completely hospitable carrier service and the development among all employees of a spirit of personal helpfulness. It calls for the elimination of tipping in every form. The Railroad Report holds that railroads for years have endeavored to reach the goal of perfection in courtesy and helpfulness. As to tipping, it admits that it is an evil, but sees no way to eliminate it.

11. Convenience. - The Section Report deals at length with the elements of convenience, defining this as the elimination of annoyances which create resistance to carrier service. Included as elements of convenience are complete transportation, door to door; complete travel arrangements in an initial single ticket; elimination of trouble about accommodations on connecting lines and at destination; baggage facilities in a special section of the passenger car; reduction of changes from one vehicle or carrier to another; joint rail, highway and air passenger depots and elimination so far as possible of doubt about connections; depots arranged for passengers, rather than operating convenience; single coupon tickets, and simplified handling and checking of tickets; attractive passenger depots. On these points, the Railroad Report says that passengers must go to the depot as they must go to the garage or the store; that complete travel arrangements can be made now if the passenger knows his exact trip schedule; that hotel accommodations can be secured now through the railroad; that present

baggage handling methods are not annoying, while the system suggested could not be economically justified except, as now, in special cases; that transfers between vehicles and carriers cannot be entirely eliminated under any circumstances, although progress in the direction of through trains and through cars has been made; that unification of depot facilities of all kinds is manifestly impossible as a practical matter, and that connections and transfers are now arranged to the extent practicable; that improvement of station arrangements is a matter for individual case study; that ticket forms and ticket handling routines are necessary and in the interests of the passenger as well as the railroads; and that efforts are being made to provide attractive depot facilities to the extent warranted by the available business and the financial condition of the individual railroad.

12. Comfort. - The Section Report refers again to depot arrangement and furnishings, and calls for attention to features of car design and train operation which will increase the comfort of passengers. The Railroad Report reiterates that depot facilities are consistently made as attractive as conditions warrant. It says that great advances have been made in equipment design, that constant attention is being given to the elimination of rough handling, and that some of the discomfort items mentioned, such as whistle-blowing and bell ringing, are a reflection of legal requirements.

13. Classes of Travel. - The Section Report recommends different classes of travel to cater to the varying tastes and pocketbooks of the traveling public. The Railroad Report says that in territories where need appears to exist, such classes of service at different rates are now provided.

14. Schedules. - The Section Report calls for train schedules to suit the convenience of passengers, not "operating convenience". The Railroad Report states that, with due regard to economy and the traffic volume, such arrangement of schedules is now the rule.

15. Frequency. - The Section Report says that frequency of service is an extremely important factor in passenger traffic development, and suggests that reduction in train schedules was the cause of part of the railway traffic decline after 1930. The Railroad Report agrees to the importance of schedule frequency but points to net income as the controlling factor. It indicates that the development of light motor trains may make it possible to increase train mileage at a profit, and that this is being given careful study, although changes must be made slowly. The Section Report states the problem is to provide schedules practically as flexible and convenient as that furnished by the automobile. The Railroad Report calls this suggestion absurd.

16. Speed. - The Section Report calls for train speeds averaging 45 miles per hour for suburban service, 30 miles per hour with schedule frequency for local service, and over 45 miles per hour for long-haul service. The Railroad Report

points out the general tendency toward higher speeds in all services but says that the value of speed is affected by circumstances, especially in overnight runs.

17. Intercarrier Trains. - The Section Report sees a need for more intercarrier trains, especially at the transcontinental gateways, to reduce the necessity for transfers. The Railroad Report says that through service is now provided where justified by the traffic volume, but that there is little if any demand for through service from the East to the West. It says that the statement that 4,000,000 through passengers interchanged at transcontinental gateways in 1933 is not proof that such through services are practicable. It indicates that detailed analysis is required to determine whether through trains could be profitably operated.

18. Accommodations. - The Section Report describes accommodations necessary for the different classes of travel, including upper berths made equally as attractive as lower berths. The Railroad Report says all these recommendations are now in effect, except the "impossible suggestion" concerning the upper berth.

19. Classes of Service. - The Section Report calls for five classes of service; one commuter, one local, and three long-haul. It says that the three distance classes should be operated independently, where sufficient demand exists. The Railroad Report says that different classes of service are now operated as required, but that separate trains for each class

of traffic would result in prohibitive costs.

The Traveler's Price

20. Importance; 21. Carrier Price; 22. Automobile Price; 23. Ceiling; 24. Class Distinction. - The Section Report, analyzing automobile costs, because of the indication that at least three-fourths of the total travel is "desire" rather than "necessity" travel, says that the railroads, to meet automobile competition, must meet a price of about 1 cent per passenger mile, that being what the automobile user considers his cost to be. It states that there is need for drastic fare reductions, and shows that in the first 6 months of 1934, compared with the average similar period for the three preceding years, a 1½-cent basic rate in the South produced results better by 26 percent than the 3.6-cent basic rate did in the East, and 34 percent better than a 2-cent basic rate did in the West. The Railroad Report holds that cost is not the governing factor with respect to the "desire" travel, and says that the results of regional fare experiments are not conclusive. The Railroad Report advocates, as a means of producing the largest gross revenue with the lowest operating ratio, a high base fare for "necessity" travel, coupled with reduced rates of various kinds for "desire" travel. It admits, however, that all railroad men are not agreed on this point.

25. Suburban Service; 26. Local Service; 27. Limited Service; 28. Reserved Service; 29. De Luxe Service; 30. Excursions; 31. Quantity Discounts. - The Section Report recommends

fares for various classes of service as follows: Commutation, 1 cent per mile or less; local, 1½ cents per mile or less; limited service, 2 cents per mile, with quantity discounts; reserved service, 3 cents per mile, including berth or seat but not meals; de luxe service, 5 cents per mile, including rooms and accessorial services; excursions, ½ cent per mile; quantity discounts, 15 to 20 percent reduction in ordinary rates for round-trips or scrip books, and 1 cent per mile for parties. The Railroad Report disapproves maximum rates per mile for national application, from the standpoint of largest traffic development. It considers a maximum rate of 1 cent per mile for commutation travel impractical. It says that a lower rate for local than for distance travel is impossible without more liberal Fourth Section relief, and that a 2-cent local rate is too low in any event for general application. The Railroad Report opposes fixed maximum rates for distance travel, and prefers the present system of extra charges for sleeping accommodations and meals. Comparison of hotel and sleeping car prices is considered unjustifiable. It finds no justification for a ½ cent per mile excursion rate, although it recognizes the remunerative character of certain types of excursions not too frequently run. As to party discounts, the Railroad Report says these are already available, but that quantity rates for single users would not increase the total transportation used, because the single user of rail service chooses it in the knowledge that present rail fares are less than automobile travel costs.

32. All-Expense Trips; 33. Train Cruises. - The Section Report advocates more all-expense trips, time or "district" passes, and so-called "train cruises". The Railroad Report says there is nothing new in these proposals. Use of the district pass principle for experimental purposes is disapproved, except possibly in some suburban districts.

Carrier Sales Promotion

34. Essentials; 35. Organization. - The Section Report emphasizes that passenger service must be sold, and outlines the essentials of modern sales promotion - organization, intelligence, pricing, direction, contact, and incitation to purchase. It says that the organization must be one designed to develop the market price and sell the transportation - not merely to administer routines. As evidence of over-emphasis of executive-administrative functions, the Section Report states that 3,000 out of a total of 8,000 traffic officers and employees are employees in the central office. The Railroad Report declares that the mentioned essentials of sales promotion are those which have always guided railroad traffic organizations. It says that the reference to top-heavy passenger organizations is incorrect, the Section Report at another point showing that there are 28,670 railway sales agencies, with more than that number of employees, instead of only 8,000.

The Section Report finds two outstanding defects in passenger organizations: (1) Employment of the functional rather

than the directional type of organization; and (2) the failure to coordinate sales promotion into a single organization. The functional type of organization is considered a result of personnel methods, which the Section Report criticizes. The selling methods of the railways, involving 89 separate organizations, are said to be a reflection of past, not present, conditions, and the Section Report advocates a single organization for the pricing and selling of passenger service. The Railroad Report finds the suggestion of a single selling organization impracticable so long as separate corporate entities require protection and promotion of individual interests. Further, it objects to the suggestion that the individual organizations are vying only with each other. The Railroad Report terms unfair the statement of personnel methods of the railways, and defends the present system. Most of the supervising officials of the passenger departments, it states, have had training in all branches of the passenger service and are therefore qualified to price transportation and direct traffic. The Railroad Report finds inconsistency in the recommendation of the Section Report for a directional type of organization. The Railroad Report favors individualistic organizations because "individualism is the underlying reason for the rapid development of this country," and it calls unjustified the conclusion that 89 railroads are "slashing and hacking at one another" since, for the orderly conduct of their business, the railroads have territorial passenger

associations through which there is constant consultation between competing roads. The conclusion of the Railroad Report is that the Section Report, with reference to the organization, proposes to overthrow all of the experience gained over a long time in directing, selling and merchandising.

36. Intelligence. - The Section Report proposes a central traffic research organization. The Railroad Report, admitting there is none, says that no system of research applicable to railroad traffic has been conceived. It finds the existing individual research work adequate.

37. Pricing. - The Section Report finds no logical reason for the present basis of fares. It points out that uniformity achieved in Federal control and continued to December 1933, was not accompanied by unification of the seven regional passenger associations, much less the rate-making departments of 89 railways. It advocates pricing by a single organization, for the welfare of the industry and thus of its individual members, and calls the present individualism in rate-making illusory. The Section Report favors a station-to-station mileage directory and current publication of single sheets naming basic fares for different services or regions, with specific folders of rates to and from each station, to replace the thousands of tariffs now on file. It recommends catalogues describing services as well as rates, as done in England, to use price as well as service to arouse travel desire. The Railroad Report asserts that cost has been and

will be considered in rate making, but that traffic volume influences unit cost, and the efforts of the railroads are directed to secure volume, since "that is the only answer to the problem." It says that a uniform basic fare did not render unnecessary the individual rate departments and passenger associations because these have other duties. It considers fallacious the belief that the railroads could be efficiently operated with one central agency directing pricing and selling. It points to the experience under Federal control as proof of the fallacy of a single basis of fares, declaring that each territory must be treated on its merits. The Railroad Report finds ample protection for the rights of competing carriers in the present regional passenger associations. It points to governmental regulation, plus the requirements of the traveling public for varying special fares, as the reasons for the present multiplicity of tariffs, and it points out that the tariffs, if difficult to understand, are read, not by the public, but only by transportation salesmen trained in their use. The Railroad Report sees contradiction in the Section Report's demand for fewer tariffs and a greater variety of prices. Its judgment is that the mileage table would cause more trouble than the present forms of tariffs, and would be more expensive. The Railroad Report considers conditions in England so different from those here as to preclude the use in the United States of methods, such as the catalogue plan, found successful there. It finds the present system of arousing travel desire satisfactory.

38. Direction. - The Section Report describes the elements of the type of direction needed in the passenger department. These elements, according to the Railroad Report, are now present, except the central organization for directing pricing and sales.

39. Advertising. - The Section Report advocates increased and joint advertising to reach the 30,000,000 families in the travel market. The Railroad Report agrees that the railroads, individually and collectively, could advantageously increase their advertising but says that the financial condition of the railroads has required curtailment rather than increase of such expenditures.

40. Contact. - The Section Report advocates joint agencies to promote travel, rather than individual agencies to compete with each other for a share of only part of the available business. The Railroad Report sees no advantage over the present system in consolidated service agencies.

41. Selling. - The Section Report refers to the cost of ticket sales at on-line "uptown" and off-line offices, which is higher than that at stations and at competitive types of ticket offices. The Railroad Report justifies this by the fact that ticket sales at these offices are merely incidental to their primary purpose of solicitation over a wide district. The Section Report calls for new sales outlets through commission agencies at hotels, telegraph offices, in colleges, etc., to replace "uptown" ticket offices but not the proposed

service agencies. It adds that the single sales organization is prerequisite to the establishment of these commission offices. The Railroad Report objects to payment of commissions because of the danger of rebating, for which the railroads are penalized under the law. It states that, with the complexities of ticket selling, it would be impracticable to use inexperienced employees of telegraph offices and hotels as ticket salesmen. It finds that the college market is now thoroughly cultivated.

42. Sales Expense. - The Section Report sees a possible reduction in passenger traffic expense from $28,000,000 to $20,000,000 through consolidation of the traffic departmental work in the manner recommended. This would come through reduction of the central office cost from $8,500,000 to $3,000,000 and reduction of traffic agency cost from $12,500,000 to $3,000,000, with a desirable increase in advertising expenditures from $7,000,000 to $14,000,000. In short, the Section Report finds that unification and modernization of the traffic departments should produce far better results at two-thirds the cost of the present 89 competitive organizations. The Railroad Report states that efforts to secure from the Section of Transportation Service underlying data supporting the statement of possible savings were unsuccessful, and that there is no statistical or factual basis for it. It questions again the practicability of the consolidation of traffic agencies, and says that a modified version of this plan failed under Federal control.

Carrier Service

43. Extent. - The Section Report indicates an average of 2½ trains per day each way over each mile of railway line in 1933, each average train consisting of 2½ head-end cars, 2 coaches and 2 reserved cars. The average number of passengers on the average train was 42, with 14 in each coach - 18 percent of capacity - and 7 in each reserved car - 39 percent of capacity. The Railroad Report objects to these figures because they are averages for the country and because 100 percent for the entire mileage made was considered full occupancy, this being described as unobtainable. It says that average loading in reserved cars is low because the railroads are attempting to render the service desired by their patrons, which means extra cars to provide lower berths.

44. Travel Distribution. - The Section Report includes a point to point analysis of carrier passenger movement, excluding suburban traffic. This shows total passengers in 1933 moving 74 percent by rail, 25 percent by highway and 1 percent by airway. The Railroad Report concludes that this supports its contention that a reduction in rail rates to the bus level would reduce rail gross revenue, even if the railroads thereby recovered all highway-airway travel.

45. Inter-regional Travel. - The Section Report shows the concentration of travel to and from metropolitan areas, with 50 percent moving into and out of only 12 cities. The Railroad Report makes no comment on this analysis.

46. Financial Results; 47. Railway Analysis; 48. Components; 49. Use of Full Costs; 50. Cost Elements; 51. Train Costs. - The Section Report states that in 1933, rail passenger service revenues were $503,000,000, which was $134,000,000 in excess of direct expense but $203,000,000 less than total cost. The objective of this part of the Section Report is to determine profit or loss for each class of passenger train service, and each kind of service; the causes of various deficits; and the feasibility of corrections. The endeavor is to discover how 1933 traffic volume could be handled at a profit, using "full costs" except interest on investment. The cost per mile of a minimum train (locomotive and one car) was computed at 59 cents per train mile for the average train and 22 cents for each additional car. The Railroad Report, while approving in general the "proportionate share" theory, points out that division of expenses between passenger and freight services is largely on an arbitrary basis. It adds that, if passenger service were discontinued, a large portion of the cost assigned to it on this theory would remain and become part of the freight service cost. The Railroad Report questions the accuracy of cost breakdowns by classes of service because "arbitrary is piled upon arbitrary".

52. Railway Services. - The Section Report computes a loss of $200,000,000 on passenger service operations in 1933, made up as follows: Baggage, $33,500,000; Express, $54,000,000; Mail, (profit - margin over operating expenses and taxes)

$13,500,000; Coach, $61,000,000; Reserved, $31,000,000; Dining, $34,000,000. The Railroad Report objects to distribution of costs on a car-mile basis, which it terms "very arbitrary"; the application to the year 1933 of test figures gathered for one week in 1934; and to "arbitrary" classification of trains.

53. Baggage Service. - The Section Report recommends combining baggage with express in a merchandise service, charging for all on the merchandise rates suggested in the Merchandise Traffic Report. The rates travelers would pay for the pick-up, movement and delivery of the average luggage on this basis are said to be less than present transfer charges. The Railroad Report says that the new merchandise service has been shown to be impracticable, so that there will be no such service with which to combine the baggage.

54. Merchandise Traffic. - The Section Report suggests that baggage traffic be consolidated with merchandise service, handling the combined traffic in cars loaded to 14 tons. It adds that the total merchandise traffic plus baggage, now scattered in two and one half billion car-miles, can be handled in the one half billion car miles now devoted exclusively to express and baggage. The Railroad Report says that an average load of 12 tons per car, as estimated in the Merchandise Traffic Report, is unobtainable, and that to add 2 more tons of baggage is even farther out of the question. It adds that the reference to handling merchandise and baggage in present baggage and express car operations ignores the localities in

which the car-miles of the various classes of traffic are made.

55. Suburban Trains. - The Section Report shows a net loss of $13,500,000 on suburban service, with the inclusion of $16,000,000 in station expense and $17,500,000 as an allocation of "overhead" expense. The Section Report points out that, by apportioning the station expense on the basis of direct expense, the deficit from suburban service would only be $3,500,000. The Railroad Report questions the accuracy of this discussion. It objects also to the inclusion of "overhead" expense on the ground that total expenses would not be reduced proportionately if suburban service were eliminated.

56. Main Line Locals. - The Section Report indicates that the average train of 5½ cars cost $1.57 per train mile and produced revenue of only 98 cents. It suggests that, by transferring reserved cars to limited trains and consolidating baggage with merchandise or handling it in the vacant part of the mail car, the traffic could be handled in a two-car motor train at a cost of 60 cents per mile, with a revenue of 76 cents. If merchandise cars were handled in the same service, the composite train of 3 cars would earn $1.04 at a cost of 80 cents. The Section Report indicates that in only 4 out of 42 districts were revenues insufficient to support a minimum train. In these cases, bus substitution is recommended. The Railroad Report objects to the underlying data here, saying that figures stated as average passengers per car are really average passenger miles per car-mile. It points out that sufficient

cars must be furnished to handle the peak load at any point on the run. As to motor train and bus substitutions, the Railroad Report points to the potential size of crews as an important cost element, and the expense of purchasing new equipment as another deterrent factor.

57. Branch Line Locals. - The Section Report shows the average train of 3 cars costing 91 cents per mile and taking in 47 cents. It recommends use of a single unit car costing 30 cents per mile; consolidation of l.c.l. freight with express and baggage to provide combined revenue exceeding the present cost of 1 and 2-car units; or use of a highway bus at 22 cents per mile and a highway truck at 11 cents per mile. The Railroad Report reiterates its objection to the conclusion based on average passengers per car, and points out that much branch line service has been eliminated and branch line mileage abandoned.

58. Motor Trains. - The Section Report recommends substitution of highway service for motor trains, which average 2 cars per train, with a revenue of 29 cents per mile and a cost of 56 cents. The Railroad Report calls this one of the inconsistencies of the report, since motor trains are recommended for local services at one point while being shown as losing 27 cents per mile at this point.

59. Mixed Trains. - The Section Report indicates an average mixed train costing $2.60 per mile, with 1 head-end car producing revenue of 15 cents per mile, 1 coach producing

revenue of 5 cents per mile, 4 freight carloads, 2 l.c.l. cars and 3 empty cars. It recommends, for present daily composite trains, consolidation of l.c.l. with head-end traffic, operation of a motor train at 60 cents per mile, and operation of tri-weekly local freight trains at $2.60 per mile. For present tri-weekly mixed trains, it suggests a daily motor train of 2 freight and 2 passenger cars at a cost of $1.00 per train mile. The Railroad Report again objects to use of average costs and insists that each case must continue to be handled on its own merits.

60. Limited Trains. - The Section Report finds a loss of 57 cents per mile in operation of limited trains, due to underloading which results from excessive fares, duplication of services and failure to adapt the consist of the train to the market demand. The average limited train, with 9 cars, costs $2.35 per mile. The Section Report states that the traffic justified only 6 cars, which would bring the cost down to $1.67 per mile - a total difference of $100,000,000. It reports 39 movements where 2 or more parallel trains operate daily, and suggests that consolidation of trains would eliminate train mileage costing $68,000,000, and change a deficit of $41,000,000 into a profit of $27,000,000. The Railroad Report considers the average load figures grossly misleading, and it finds insufficient allowance for peak loads on part of the run. It points to fluctuations in traffic from day to day as another reason why equipment cannot be held down to fit an average.

The Railroad Report indicates that the question of duplicate train service is now being studied by the Regional Coordinating Committees and the Association of American Railroads, but that the amount of such duplications has been grossly overstated. It finds insufficient allowance for maintenance of adequate service at intermediate points. It also says that "duplicate trains" are, generally, the most profitable trains operated.

61. Reserved Accommodations. - The Section Report states a loss of $1,000,000 in parlor car operation and $500,000 in sleeping car operation. Against the present average payment for reserved accommodations of $2.69, it proposes $2.00 per average journey for reserved service and $4.00 for de luxe service, or a weighted average of $2.20. It finds, in consequence, that the cost of rendering the service must be reduced 15 percent to make it self-supporting, or 35 percent to make it profitable. Three methods to accomplish this are suggested: (1) Eliminate duplication, at a saving of $8,000,000; (2) confine reserved service to 16 section cars and, by making uppers as attractive as lowers, increase average occupancy from 13 to 22, to produce additional revenue of $17,000,000; (3) eliminate the outside agency operating reserved car service at a saving of $6,000,000 in overhead. The Railroad Report concludes from the data that a 5 percent increase in car occupancy sure to follow better general business, would wipe out the indicated deficit. It reiterates its objection to alleged duplication of reserved accommodations, while admitting that some savings

in this direction are possible. It says that improvements in upper berths can be made only by detracting from the desirability of lower berths, and prefers the trend toward single and double bedrooms as developing the most satisfactory service and the largest revenue per car. The Railroad Report questions the saving which might result from elimination of the outside agency and feels that it is justified by the high standard of service which it renders both the public and the railroads. It ascribes the satisfactory performance of the Pullman car pool to the revenue urge, and concludes that removal of this urge would destroy the efficiency of the pool.

62. De Luxe Service. - The Section Report recommends de luxe service in separate trains consisting of 5 bedroom cars and 3 non-revenue cars, to produce revenue of $2.25 per train mile at a cost of $2.11. Such service would require a minimum of 18,000 passengers each way per annum, and the Section Report indicates that there are not many places where this volume would be available. The Railroad Report finds that there is not enough of this traffic to justify separate train service, and prefers the flexibility of a variety of services, as now, on one train, as a means of securing the frequency of service recommended elsewhere.

63. Buffet Service. - The Section Report, to reduce dining car losses, recommends reducing the average cost per meal from $1.17 to 83 cents and substituting tray service, handled by car porters, for dining cars in all except de luxe

trains. The Railroad Report cites difficulties in the way of a profitable dining car service, including different tastes of people served and the relatively small volume of business handled. It endorses continued efforts to reduce dining car losses, but justifies losses, where unavoidable, on the ground that satisfactory dining car service is required for the benefit of the passenger business as a whole. The Railroad Report recognizes that in volume largely lies the solution of the dining car problem, and points to experiments now being made with tray service in coaches, lunch counters, etc.

64. Free Transportation. - The Section Report estimates that in 1933, free transportation represented $50,000,000 in revenue, or one-fourth the passenger service deficit. It recommends elimination of passes except for strictly company business on home lines, with possible temporary reduced rates for employees. The Railroad Report considers it an absurdity to assume that elimination of passes would increase revenues by $50,000,000. The recommended plan is objected to as more expensive as to home line travel and as dangerous to employee morale.

65. Terminal Operations. - The Section Report recommends substitution of short, frequent trains for present consolidated trains to eliminate switching of occupied cars; inter-carrier trains to reduce expensive switching at stub-type stations; unification of all carrier stations for service improvement if not reduced cost; field study to derive standards for judging

operating efficiency. The Railroad Report puts no value on average costs but disapproves large union depots as the most expensive.

66. Equipment. - The Section Report finds urgent need for flexible equipment - equivalent to the multiple-unit car - and greatly reduced tare weight. Through reduction to 20 tons in the tare weight of Pullman cars, for example, it sees a saving of $4,500 per car per year - 80,000 miles at 1.9 mills per gross ton mile. The Railroad Report explains the present size and weight of cars as the result of efforts to increase safety and comfort. It points to numerous experiments now being made with lighter cars, but states that they are still too experimental to justify retirement of equipment of considerable value in favor of another type of unknown value.

67. Coordination. - The Section Report urges cooperation and coordination between all competing carriers, to meet the common enemy which is private transportation. By coordination, through contract, lease or joint rates, it sees schedules of both rail and highway carriers, now operated at deficits, made profitable. The Railroad Report finds coordination impossible under conditions of discrimination against rail carriers and in favor of other carriers. In any event, it prefers a gradual approach to such coordination.

68. Potentialities. - The Section Report concludes that passenger service can be made profitable with the 1933 volume, and that the profit will be greater, despite increased

costs of additional services, if volume is increased by the means recommended. The Railroad Report, having disagreed with a large proportion of the considerations on which this conclusion is based, also disagrees with the conclusion. It concludes that "it is inconceivable how increased frequency of train service, modernization of equipment and stations, and reduction in passenger fares could convert an alleged loss occurring from the handling of passenger business into a profit with the same volume of traffic."

Underlying Data

The Section Report consists of a text, supplemented by 137 analyses and 2 appendixes containing 11 exhibits, covering subject matter as follows:

American Travel Market
Flow of Railway Travel - 1933
Travel Requirements
The Price of Travel
Sale of Travel
Extent of Carrier Service - 1933
Financial Results of Carrier Service - 1933
Passenger Depot Operations - 1933
Railway Baggage Service - 1933
Railway Limited Train Operations - 1933
Railway Reserved Cars - 1933.

The sources utilized and the manner in which these data were assembled are described in the Section Report.

Recommendations and Comments

The Section Report makes 19 recommendations for improvement of railway passenger service and the return therefrom. These recommendations, and the comments of the Railroad Report on each of them, are reproduced in full as Exhibit I of this report, and attached hereto.

Summary of Conclusions - A.A.R. Committee

The committee of three vice-presidents of the Association of American Railroads, who prepared the Railroad Report, submitted a summary of their conclusions, which is reproduced in full as Exhibit II of this report and attached hereto.

CONCLUSIONS

The Section Report and the Railroad Report are in disagreement on many points. This, in my judgment, is largely for two reasons - one inherently unimportant, and the other of very real importance.

The unimportant reason lies in an apparent misunderstanding of the Section Report on the part of the railroad committee. The Section Report was designed to diagnose and suggest remedies for railroad passenger ills. Carrying out this purpose, it undertook to outline a complete program for a successful railway passenger service. In the process, it set forth various essentials which the railroads believe they have long since effectively recognized.

As elements in a broad program, these essentials obviously could not have been omitted. Taken alone, however, they might appear to imply unfair criticism of the railroads - criticism for failure to do things which all or many or some of the railroads are actually doing. Probably due to the fact that the Section Report was written in a vein which was at times caustic, or at least pungent, and that it failed to stress sufficiently the element of credit to railroad passenger departments where credit was due, thus laying the foundation for resentment, the idea that the Section Report is characterized by implied and unfair criticism was predominant in the framing of the Railroad Report.

To illustrate, when the Section Report says, in effect, "Make rail travel safe", the Railroad Report retorts, "It is already safe." The fact is that the Section Report merely listed Safety as one of the essential travel requirements, and it commends rather than criticizes on this point, its brief comment on the railroad situation in this respect having been:

> An essential of any passenger carrier service is safety to the person of the traveler. Commendable progress has been made by the rail carriers in increasing the security of their patrons. When the modern devices and methods of operations, which are now quite generally employed, have been extended to all rail passenger carriers, the traveler will be as safe upon a railway train as in his own home, and much safer than when he is in his own automobile.

In the following paragraph, the statement is made that the "highway carriers are rapidly approaching a record of safety as enviable as that enjoyed by the rails."

Another illustration is Hospitality, which was also named as one of the essentials. Stating that rail passenger transportation is frequently criticised, as the evidence showed, for the "absence of personal helpfulness", the Section Report went on to say, among other things, that "All employes - depot and train - must learn that it is the traveler who makes their present livelihood possible and that the continuance of that livelihood depends upon their ability to treat patrons with courtesy and consideration." It remarked, however, that "Several railways are known throughout the land for the personal touch with which they characterize their service, and much

improvement has been made in recent years despite the difficulty inherent in supervising wide flung activities." The Railroad Report replies that railroads for years have endeavored to reach the goal of perfection in courtesy and helpfulness. While no doubt this is true, every traveler of experience knows that various railroads have fallen short of this goal, and criticism of some railroad passenger service on this account has been a commonplace. It is simply a matter justifying continued and increased attention.

These are merely illustrations. The Section did not intend to lay claim to originality for many of its suggestions. The views of passengers, rail officers, sales managers, and travel agencies were thoroughly canvassed before the report was written, and it is in a considerable measure a reflection of what those inquiries disclosed. Many of the recommendations were based on actual railroad experiments or on the suggestions of rail officers themselves. It was realized, and stated, that in many instances most or many or some of the railroads are doing what was recommended, or at least are going far in that direction.

The Section Report was not drawn as a general indictment of railroad passenger officers, but that seems to be the way in which it was officially received. As a result, the Railroad Report was written by men who had their "backs up", and it consists too largely of the negative plea of "Not Guilty."

As a further result, the Railroad Report often fails to give full consideration to the sense as well as the letter of the Section Report. Thus, the latter, doubtless in a desire to be graphic, makes the somewhat extravagant statement that rail service must be "as accessible as one's own car." The Railroad Report says it is "inconceivable how that could be accomplished." Granting that the graphic phrase of the Section Report may represent an ideal impracticable of accomplishment, the fact remains that accessibility approaching this ideal is not only possible but has been partially achieved by some railroads for years.

It is necessary to make allowances, therefore, to determine the actual differences which lie between the two sets of conclusions. Having made these allowances, my judgment is that, essentially, there is only one major point of serious conflict between the reports. For this conflict the important reason mentioned at the beginning is responsible, and it concerns the amount of additional passenger traffic which the railroads, by the use of any means, can attract to their services.

The Section Report concludes, and is largely based on the conclusion, that the amount of this potential traffic is large and enough to put railroad traffic volume higher than it has ever been before. The Railroad Report, on the other hand, concludes, and is largely based on the conclusion, that the amount of the potential traffic is small. Stated differently, the Section Report is based upon the premise that since

the travel market has been greatly expanded by a cheaper and more serviceable form of transportation, the railroads may share in this market by improvements in their service and pricing. The Railroad Report, on the other hand, tends to assume that in great part the traffic has been lost permanently to the highways, so that the opportunities for recovery or creation of traffic by the railroads are small.

Agreement on the amount of this potential traffic is vital to fair appraisal of the Section Report. If an architect designs a house to accommodate eight people when there are only two to live in it, then his is patently a bad design. But if there are eight people to be housed, the prima facie case against the design is dissipated.

The Section Report gives its reasons for the belief that a much larger volume of passenger traffic than they are now handling is immediately accessible to the railroads. The committee which prepared the Railroad Report appear not to have been convinced, but, in my judgment, they are wrong and the Section Report is right. I believe that the railroads can secure passenger traffic and passenger earnings much larger than they now have, either through winning travel over to their services or, as the Section Report suggests, through creating new travel as the automobile has done.

Nor are my staff and myself alone in this optimistic opinion. Recent inquiries among railroad passenger traffic officers have disclosed that a majority of them, too, are

confident of the railroads' ability to secure a substantially increased volume of passenger traffic, short haul as well as long haul. It is significant to me that this confidence is most marked on those railways which, by improvements in their service and adjustments in their rates, have already scored substantial gains in their passenger traffic volume. There is ample support for the belief that important traffic and revenue gains are possible, and it is in this light that I consider the conclusions of both reports.

On the premises previously established, I find no important and valid objections to those parts of the Section Report which follow the headings, "The Travel Market" and "Travel Requirements." Such differences as do exist embrace questions which, in their nature, are matters of opinion. The Section Report, owing to the way it was prepared, represents a combination of viewpoints - inside and outside, lay and professional - to a degree such as railroad passenger departments have not previously enjoyed. The Railroad Report shows a disposition to minimize the value of this, but individual railroads are known not to have made the same mistake.

As indicated above, some points in the Section Report's findings on travel requirements may represent ideals which are incapable of full attainment, but this is no excuse for failure to exert the utmost efforts in that direction. I am mindful, too, that some of the recommendations under this heading, which the Railroad Report holds impracticable, have already been adopted or approached by individual railroads. For example,

one railroad is now offering "collection and delivery" service for passengers, its tickets including fare coupons for pick-up at home and delivery to destination by taxicab. Rail service "as accessible as one's car" is the result. Another railroad has abolished tipping by coach passengers at an important station. Joint rail and bus passenger stations are to be found in many cities. The adoption of light trains and substantially increased schedule frequency has gone well beyond the experimental stage on a number of railroads. High-speed service - averaging 60 miles per hour - has been provided for short, medium and long distances, and the patronage of these trains indicates that speed has a value in every instance. Even the suggestion that upper berths should be made as attractive as lowers has been acted upon in the building of several new streamlined trains. Separation of reserved from de luxe service has been partly accomplished in connection with one railroad's Chicago-Pacific Coast service.

All these represent innovations in railroad passenger service, recommended in the Section Report and rejected in the Railroad Report. To my mind, the test of feasibility lies in practical application. The Section Report has passed this test to an extent far greater than the Railroad Report admits.

I approve in their entirety those portions of the Section Report which deal with "The Travel Market" and "Travel Requirements."

The Section Report is also persuasive in its conclusions on "The Traveler's Price." Unquestionably, price is the most important factor in the sale of transportation. It is axiomatic that, the lower the price, the greater the volume of sales. The railroads are designed for volume traffic. Their terminals, their trains and their lines are now used only to a fraction of their capacity. Without appreciable increase in capital expenditures, they are capable of handling a volume of passenger traffic much greater than they now have, and this applies to the lines now heavily traveled as well as to those thinly used. It is plainly in traffic volume that the salvation of the railroad passenger business lies.

Traffic volume is influenced by fares, service, and sales organization. No one of these things will do the trick alone. So far as fares are concerned, the problem which confronts the railroads is to locate those which will produce the greatest revenue. Undoubtedly many more people will ride if fares are lowered, but they could easily be made so low that less total revenue would be produced, notwithstanding the gain in traffic. Probably the fares which will yield the best results can only be determined by the process of trial and error, and it may well be that this question of fares is dependent, to some extent, on the quantity and quality of service that the railroads are able to furnish.

The Section Report was guided, in its recommendations as to fares, by an attempt to appraise the limits set by highway vehicle competition, coupled with an attempt to judge what

certain classes of travelers may be willing to pay for service offering special accommodations of various types. In my opinion, its recommendations were well reasoned and supported by much positive evidence. They are worthy of very serious consideration, and in the process of trial and error, within the limits which the Interstate Commerce Commission has set, it would be a mistake to neglect them. For various reasons, I do not think that it would be appropriate for me to express any more categorical conclusions on this point.

Referring to one specific matter, the recommendation of the Section that reserved accommodations and meals be included with transportation at a single price per mile was made, as shown in the Report, in order to make it possible fairly to apportion costs of providing transportation among the several classes of service which the report recommends. The same purpose could probably be attained by a modification of the present system. The Section, I understand, regards the purpose as essential, but is not insistent upon the particular means of serving it which its Report recommended.

The discussion of "Carrier Sales Promotion" divides into two parts: (1) Criticism of the present system, and (2) proposal of a new system. The essentials of the sales promotion problem are accurately stated, and generally agreed to in both reports. Beyond that point, there is sharp divergence of expressions. The Section Report finds the present system full of faults, while the Railroad Report considers it satisfactory.

Going by results, it appears that the Section Report is the one more likely to be right. If the present system were the best one, it seems improbable that so much ground would have been lost by railroad passenger service. The Section Report is convincing in its criticism of the "functional" type of traffic organization, and its conclusions that railroads are more concerned with competing with each other than with fighting their common enemies, that railroads lack that knowledge of their sales problems which can come only from well-organized research, that pricing has not been well handled, that advertising has been a weapon too little used by the railroads, and that more sales outlets are needed if maximum traffic volume and full benefit from sales promotion activities are to be secured.

On the other hand, I doubt whether the time has yet come to adopt the scheme of wholesale concentration of sales administration in one central organization - such as the Association of American Railroads - as is recommended in the Section Report. Some centralization is clearly desirable, such as for the handling of research and "institutional" railroad advertising. Further centralization may be desirable, but I question whether the railroads are yet prepared for so radical a step as the Section Report proposed. There is danger that a central sales organization would be too remote from its field - which would extend to every part of the United States - to be really effective. Economy probably

would result from such centralization, as the Section Report predicts, but economy is not so important in this instance as the need for the most effective sales organization, that organization which will help to secure the needed traffic volume.

I approve the major premise of the Section Report in its discussion of "Carrier Sales Promotion" and agree that the present system can and should be improved. But it is probable that the first steps in such improvement should be reorganization within the individual railroad departments and the grouping of carriers by definite route channels, as recommended in Section 21 of the Railway Traffic Organization Report. There has long been a marked tendency in this direction. The method proposed is one of several by which joint effort of railroad passenger departments can be provided. Joint effort is essential if the full force of railroad solicitation is to be brought to bear upon the problem of passenger traffic development.

The "Carrier Service" portion of the Section Report deals with the question of how 1933 traffic volume could have been handled at a profit, and proposes a rearrangement of passenger train services which would accomplish that result. Essentially this would mean a more thorough-going adaptation of equipment and service to the job to be done, whether with respect to train operation or the provision of auxiliary services.

With this principle, there can be no quarrel, and the Railroad Report takes no exception to it. Exception is taken,

however, to the extensive use of "averages" in the Section Report's support of its conclusions. The gist of the Railroad Report in this regard is that each case must be handled on its own merits.

Obviously, each case of service adjustment must be so handled, but it is equally obvious that the Section Report handled its case in this way. It had to attack a problem national in scope with data of equal breadth. Thus, it arrived at the "averages" to which the Railroad Report objects. It should be pointed out, too, that national averages are not the only ones developed in the Section Report. There are also State averages which must come fairly close to actual costs on specific divisions. Furthermore, the close relation between the State averages lends strength to the national averages which were derived from them.

The Section Report contains the first thorough analysis of passenger service costs by classes of train service that has ever been made. If there is serious error in it, the mistake has yet to be called to my attention. If it is correct, the railroads have now the first yardstick that has ever been made available for application to passenger service.

The cost data were computed by methods generally regarded as sound. Since then, the Bureau of Statistics of the Commission has improved the method of separating passenger and freight expenses, but it does not appear that the application of this improved method would make any significant changes in the data. To apply these average figures to individual trains

or services would, of course, be unsound procedure; the individual case requires its individual analysis. But the "averages" in the Section Report do confirm the existence of service badly adjusted to traffic and confirm the need for the individual case studies which the Railroad Report recommends. Further, the general method employed to arrive at the Section Report's "averages" suggests the method by which the individual case studies should be made by the railroads. Thus, this part of the Section Report fulfills what I consider to be its important purpose.

Conclusion is more difficult in regard to the Section Report's discussion of reserved accommodations and de luxe service. In this respect, as in others, the Section Report is concerned with the problem of handling at a profit the larger volume of traffic which the methods it proposes would secure. Accordingly, to increase car occupancy, it would reduce train sleeping accommodations to two kinds - lower and upper berths on limited trains and bedrooms on de luxe trains - operated separately. In the light of the Section Report's cost findings, there is strong support for this proposal. But I am reluctant to believe that such a narrowing of available accommodations and their operation on separate trains is as desirable as the present system of a greater variety of accommodations on the same train. Here again I approve the objective of the recommendation, but believe that before proceeding to the extent recommended by the Section Report, carriers should endeavor to work out a modification

which would permit a more flexible service than would be possible under the recommendations.

The Section Report proposes a drastic change in the operation of reserved car service. It declares for railroad control and sale of reserved accommodations as a part of the transportation service, instead of the existing joint enterprise of the railroads and the Pullman Company. It would retain the benefit of the reserved car pool, as now available, but would effect economies in overhead and focus closer attention - attention arising from pecuniary interest - upon the interior arrangement and weight of reserved cars.

The importance of the reserved services in the development of railroad passenger traffic is self-evident. In the availability of sleeping accommodations on their trains, the railroads have a virtually unique advantage. No opportunity to capitalize this advantage should be let slip.

From an operating standpoint, full advantage of this feature of railroad service is now taken. That reserved car service is available to the public whenever and wherever required, and in the amount required, is a tribute to the effective working of the Pullman car pool. This practice of pooling is beneficial to the railroads and to the public, and its retention, in my judgment, is essential to efficient reserved car operation.

Conclusion is not so easy, however, with respect to other features of railroad-Pullman relations. To form an opinion, it is necessary to consider the agreements between

the individual railroads and the Pullman Company which form the foundation of these Pullman operations for the railroads. A study of these agreements - both the operating agreements and the air-conditioning agreements - has been made, and a synopsis of the agreements is incorporated in this report as Appendix I - Abstract of Pullman Agreements.

In this synopsis, there is little clear support for the theory that the railroads and the Pullman Company are partners in a joint enterprise. I find no obligation and only partial incentive for Pullman to join the railroads in determined promotion of reserved car traffic. Pullman generally is guaranteed car earnings sufficient to pay operating expenses, and it shares in any surplus over that amount. Invention to provide distinctly improved reserved car equipment and accommodations seems to be retarded rather than encouraged by the terms of the agreements. The expense of air-conditioning, from which both railroad and Pullman benefit, is assumed entirely by the railroad.

Probably the most important fact revealed in the study is the lack of uniformity in the agreements of the various railroads. There is no such thing as a standard agreement, and there are differences in terms for which it is difficult to account on any logical basis. The existence of these differences must be a factor disturbing to the cooperative relations between Pullman and the railroads.

Reserved car service, an important feature of railroad passenger transportation, is now in a period of change.

Fast day trains are taking passengers from sleeping cars. De luxe coaches are taking passengers from parlor cars. On certain streamlined trains, railroads are operating their own reserved cars. There are now substantial differences in fares on tickets good in coaches and those good in reserved cars. All these developments are exerting a powerful influence upon railroad and Pullman relations, and it is an influence which is inimical to the old basis of operations.

In my judgment, the present is an opportune time for a searching examination and a thorough overhauling of railroad reserved car service and the agreements under which the Pullman Company operates the service for the railroads. This should be done in the interests of both the Pullman Company and the railroads. My own opinion is that both will be better served by some such plan as that proposed in the Section Report, with the Pullman Company maintaining the car pool, equipping the cars and supplying the personnel, and the railroads paying for the cars, properly equipped and manned, on a per mile or per diem basis, adjusted to the type of equipment required, and taking the entire reserved car revenues. This would make it the responsibility of the Pullman Company to do the job it is best fitted to do - namely, provide and operate the cars - while it would reserve to the railroads the burden of, and the full return from, reserved car traffic development. The contracts should be so drawn, also, that the railroads, as well as the Pullman Company, will have adequate opportunity to initiate and test new and improved types of reserved cars.

With the exceptions noted, as to fares, national centralization of sales administration, and the operation of reserved car services, I approve, adopt and make a part of my Conclusions on Passenger Traffic the text of the Passenger Traffic Report prepared by my Section of Transportation Service. I likewise approve and adopt in their entirety the analyses and exhibits incorporated in the Section Report and in its two appendixes.

Joseph B. Eastman

Federal Coordinator of Transportation

Exhibit I - Recommendations and Comments

RECOMMENDATION 1

Ascertain, anticipate, and satisfy essential requirements of travelers, for safe, clean, comfortable, complete, convenient, speedy, and hospitable carriage, intelligently coordinated with city travel facilities, and with the transportation of the traveler's automobile.

COMMENT

This is the plan under which the railroads have been and are continuously operating.

RECOMMENDATION 2

Make rail travel suitable, intelligible, and attractive to the commonalty, by eliminating intricate routines and tariffs; indifferent or discourteous treatment; hawking and panhandling; discontinuous journeys; noisy, unattractive, poorly arranged, and uncomfortable depots, infrequent schedules; inept equipment; and exorbitant prices.

COMMENT

These inferential criticisms have been covered fully in the detail analysis of the report. It is an exception for a passenger to encounter indifferent or discourteous treatment. Hawking and panhandling are exceptions. Inept equipment is an exception. Exorbitant prices do not prevail upon the railroads; as a matter of fact, the cost for rail travel is extraordinarily low.

Whereas passenger tariffs have become somewhat intricate, this condition has largely arisen on account of many experiments that have been made, resulting in many rates between the same points effective concurrently, and also because of the rules of the Interstate Commerce Commission governing the make-up of tariffs. Undoubtedly some improvement can be made with regard to passenger tariffs and this will be undertaken. It should be borne in mind, however, that the public does not use passenger tariffs; they are only used by those especially trained and qualified to handle them. The passenger tariff in this respect is quite dissimilar from the freight tariff.

The reference to discontinuous journeys is not understood, unless it refers to lack of through train service through cities such as Chicago, St. Louis, etc. The reasons why there should not be through service beyond such gateways as Chicago and St. Louis are fully covered in the detailed analysis.

Noisy, unattractive, poorly arranged, and uncomfortable depots, where there are such, are being replaced as traffic and finances warrant.

Infrequent schedules, where they are infrequent, are due to lack of traffic and the necessity for reduction in expenses. Additional service is always provided as traffic conditions warrant.

RECOMMENDATION 3

Establish frequent, fast Local Service, coordinated (by contract, joint rates or arrangements) with highway carriers, at a 1-1/2 cent basic fare.

COMMENT

Fast local service is operated to the extent that the traffic warrants. The maintenance of joint through rates and routes with highway carriers cannot be endorsed beyond specific cases where such arrangements appear necessary and desirable, and further, where such arrangements would not involve the invasion of one rail carrier's territory by a railroad that does not itself serve that territory. It is a suggestion that should be handled by the individual lines.

It is not necessary or desirable to provide a rate of 1-1/2 cents per mile nationally, and what is necessary in specific instances is known to and should be taken care of by the individual lines, or collectively in competitive territories.

RECOMMENDATION 4

Establish, for the thrifty distance traveler, fr quent, speedy, intercarrier Limited Service, at a 2-cent basic fare.

COMMENT

To the extent that the traffic has warranted, this service is now in operation. A 2-cent basic fare is not in our opinion necessarily proper in all instances. A higher basis more nearly meeting the cost of service may be applied in certain territories, whereas in other territories something less than 2 cents per mile may be considered necessary in order to secure the greatest amount of passenger revenue.

What is said in regard to Recommendation 3 is equally applicable here.

RECOMMENDATION 5

Establish for those who want modern convenience, at a reasonable cost, a high-speed, intercarrier Reserved Service at a 3-cent basic fare, including berth.

COMMENT

In many cases, particularly for round-trip traffic, special seasons and under special conditions, an even lower basis is authorized for reserved service.

This also is a matter that must necessarily be handled to meet the conditions confronted on individual railroads and in different portions of the territory.

RECOMMENDATION 6

Establish for the luxury traveler, a limited amount of high-speed De Luxe Service, at a 5-cent basic fare, including room and all incidentals.

COMMENT

In many instances on round-trip the charges for De Luxe Service, including sleeping and parlor car accommodations, and the average cost of meals, are on a basis which will produce charges as low or lower than those suggested. We do not believe there is any demand for or that it would prove popular to provide an all-inclusive fare covering transportation, Pullman accommodations and meals.

RECOMMENDATION 7

Establish Quantity Discounts from the standard charges for families, parties, traveling salesmen, lodges, schools, and similar groups.

COMMENT

Such fares have been tried out in the past and are largely in effect today. Party rates on reduced basis are generally in effect, which are available to lodges, schools, and similar groups, and in addition thereto where conditions exist that require special handling these matters are taken care of by individual roads or groups of roads.

It is a proposition which cannot be handled nationally.

RECOMMENDATION 8

Develop pleasure, educational, sporting, and other special-event travel by All-Expense Trips, Train Cruises, and similar services.

COMMENT

Development of new traffic is being given constant attention by all the railroads, as evidenced by a large volume of traffic created for football events, conventions, and other special occasions. Wherever all-expense trips are considered desirable they are provided. Some railroads maintain tour departments and provide all expense tours covering certain points of especial interest to the public, and all railroads are constantly figuring on special all expense tours promoted by individuals or outside agencies.

RECOMMENDATION 9

Consolidate functions of eighty-nine duplicate and competitive traffic departments into a single joint organization -- such as the Association of American Railroads.

COMMENT

The consolidation of passenger departments of eighty-nine railroads into one organization is not practical nor in the interest of

efficiency. So long as there are separate corporate entities, a definite responsibility rests upon the management of each one to protect and promote the welfare of its individual interests. Each of the individual traffic organizations is not devoting its entire time to competitive problems. It would appear to be highly impracticable to consolidate the passenger traffic organizations unless the properties themselves were also consolidated. Even though the railroads were operating under single control, and all rail competition thereby eliminated, there would still be a necessity for decentralization of the passenger traffic departments, as the activities of each passenger department are so closely interwoven with those of other departments of the same railroad as to make it impossible to fulfill their function and properly serve the public unless the organization coincided very largely with the operating and accounting organization of each unit. There exists a real necessity for these subjects to be handled by transportation and traffic organizations who are in such close proximity to the territory immediately involved as to possess the necessary, exact and detailed knowledge of conditions in that district as to permit intelligent handling.

One of the fundamental purposes of the passenger department of any railroad is to coordinate the needs of traffic with transportation. This is accomplished through contact with the agencies which communicate the needs of the traveling public to the general passenger office, which in turn works out the transportation requirements with the operating department to the best interest of the public in that particular region.

On the larger individual single railroad systems it has been found absolutely necessary to decentralize the passenger organization in order properly to handle the traffic, with men so distributed as to be in direct contact with the conditions on a particular portion of the system. Experience has demonstrated the necessity of such decentralization on a single railroad, and an endeavor to handle these subjects for all railroads from a single joint organization is an absolute impossibility.

RECOMMENDATION 10

Eliminate complex, multifarious, and unnecessary tariffs.

COMMENT

The present system of passenger tariffs is to a large extent the outgrowth of the many experiments which the railroads have made with passenger fares, the large number of conventions and special occasions which have had to be provided for, as well as the rules of the Interstate Commerce Commission and many state commissions which have to be followed in the construction of tariffs. This is a subject which will receive constructive consideration.

Tariffs are sufficiently complete to cover the entire situation, so that the Agent will be in position to supply practically any information that a prospective passenger might reasonably call for, even though such inquiries might be infrequent. It should be kept in mind that the passenger tariff is quite dissimilar from the freight tariff, in the respect that the passenger tariff is used only by ticket agents who have been trained to handle such tariffs and understand their application.

RECOMMENDATION 11

Consolidate and handle baggage, express, and merchandise traffics in a distinctive class of service, utilizing passenger or freight trains, whichever is best suited for the particular movement.

COMMENT

We are convinced that it is impracticable and undesirable that baggage be consolidated with express and merchandise traffic. It is essential that where baggage is checked it should move to the fullest extent possible on the same train or an earlier train than that on which the owner thereof travels.

This is a privilege which has been accorded the public for so long a period that to provide an inferior service would cause much justifiable criticism, and could not be handled as suggested

in a way that would be at all satisfactory. The suggested new merchandise service brought out in the report has not been shown to be practical from an economic standpoint so that there would be no such service with which to combine the baggage and express.

RECOMMENDATION 12

Eliminate the farming of reserved-accommodation service and provide for the exclusive operation of all reserved cars by railway companies; popularize sleeping and dining privileges as an integral part of Reserved and De Luxe Services, and conduct them on a self-supporting basis.

COMMENT

Both in the detailed analysis and in our summary of conclusions we have indicated that it would be undesirable in our opinion for the railroads to attempt the exclusive operation of all reserved cars such as the cars now operated by The Pullman Company. Our reasons are based upon the thought that there could not possibly result any such saving in overhead as the report of the Coordinator's staff indicates because on the larger systems it would be necessary to provide and equip new departments and on all railroads it would require an increase in forces to take over this operation. The operation under those conditions could not be as flexible as under present methods and would, therefore, inevitably lead to a less efficient service than is now maintained. It probably would result in greater costs than under existing practices. It hardly seems reasonable that a service which has been developed to the finest available in the world in all its aspects should be abandoned and a revolutionary change made in the method of handling. Attention is directed to the fact that such railroads as the New York, New Haven & Hartford, the Northern Pacific, the Chicago, Milwaukee, St. Paul and Pacific and the Minneapolis, St. Paul and Sault Ste. Marie have in the past operated their own Pullman equipment under a somewhat similar arrangement to that proposed. This resulted in less satisfactory service than under the Pullman plan, as demonstrated by the fact that all of these roads have abandoned such operations.

Efforts are constantly being made to popularize both sleeping car and dining car services, as well as to conduct them to the fullest extent consistent with good and satisfactory service on a self-sustaining basis.

RECOMMENDATION 13

Unify stations and terminals, and reduce terminal switching.

COMMENT

Much has been accomplished in the past in the matter of unifying station and terminal facilities. The practice should be extended when such an arrangement is in the public interest and will be productive of economies. Today, large Union Depots are usually the most expensive to operate, and further enlargement to permit consolidation in one facility would in a great many instances materially increase the cost. Attention is also directed to the numerous coordination studies which have been made during the past few years, very few of which indicated the desirability or practicability of further unifying passenger terminals.

Reduction in terminal switching can only be accomplished by the operation of additional passenger train miles.

RECOMMENDATION 14

Consolidate duplicate train services and reserved-accommodations services and stagger parallel train services.

COMMENT

The question of duplicate train service is receiving study by the Regional Coordinating Committees, as well as by this Association, but the amount of such duplications is usually grossly overstated. Coordination of the service should be made where such an arrangement is practical, productive of net economies, and in the public interest. Attention, however, is directed to the fact that in many instances where such unnecessary duplication of service has been charged, it has been demonstrated, first, that those trains are the best paying trains on the lines involved and, second, that

a large proportion of the revenue derived from such trains comes from intermediate traffic, and where the trains are absolutely necessary to provide proper service to the intermediate communities. No national or general rule can be applied but each situation has to be individually treated and, as stated, is receiving such consideration at the present time.

As an illustration of what is encountered in what appears to be unnecessary duplication of service, we would call attention to Exhibit 10, Analysis 121, on Page 239 of the report of the Coordinator's staff, where it is claimed that a saving of $525,000 is possible in connection with the present service between Washington and Jacksonville. This Association has recently investigated this situation and finds that on account of the intermediate territory involved it would be impossible to give that territory reasonable service if any of the present service was discontinued, and in connection with this investigation it was very clearly demonstrated that that which appears to be an unnecessary duplication of service is in fact not such when all of the data concerning such trains is obtained and the necessities for such services are thoroughly understood. In this particular case, instead of providing frequent service as the report recommends, the intermediate territory would be placed in a position where it would have practically no service except at very inconvenient hours, and this is not confined to small unimportant hamlets but would be true of large manufacturing cities which have a right to expect service at convenient hours.

RECOMMENDATION 15

Adapt the size and appointments of trains, power, and vehicles to the particular service in which they are to be used.

COMMENT

There is nothing new in this suggestion, as that which is recommended has, is and will be followed by the individual lines to the fullest extent consistent with economical and efficient management.

RECOMMENDATION 16

Substitute highway transportation for rail Local and Limited Services, and airway transportation for rail De Luxe Service, wherever travel volume is insufficient to warrant the larger rail vehicles.

COMMENT

Highway transportation has in many instances where its use is economical and desirable been substituted for local service. This again is an individual line proposition and cannot be handled from any general viewpoint, as each situation requires study and conclusions based upon the actual facts and conditions which in each case prevail. Airway transportation has not as yet been developed to a point where the railroads should give consideration to substituting it for de luxe rail service.

RECOMMENDATION 17

Vest exclusively in the Association of American Railroads, market research and analysis; design and prescription of service, schedules, and routes, pricing, tariff-making and publication; and division and clearing joint revenues.

COMMENT

This is an assignment to the Association of American Railroads which could not be handled by a single organization even though the railroads as a whole were a single company under one management. It is inconceivable that any single organization centrally located could intelligently or effectively design and prescribe the service, schedules, routes, pricing, tariff making and publication, and division and clearing of joint revenues. There exists the necessity of intimate personal knowledge of those on the ground in order to provide for these undertakings and they cannot be intelligently handled by any centralized organization. This is proven by the necessity for decentralization on many large systems where it has been found necessary to provide such complete organizations properly located.

Insofar as market research and analysis are concerned, this is a matter handled by the individual railroads and should continue to be so handled, and even with a single railroad system comprised of all the railroads

in the country this matter would still have to be handled locally rather than through any single central agency. Passenger departments are constantly and through every possible means endeavoring to broaden their markets and to increase their traffic with much better results than could be accomplished through any central organization.

RECOMMENDATION 18

Charge the Association of American Railroads with sole responsibility for the re-creation of an American rail travel market, and specifically for a continuous, aggressive campaign of national and local advertising, good will, institutional, promotional, and specific; and for the planning, conduct, and supervision of the sale of passenger transportation.

COMMENT

In the general interest of the railroad industry, the question of public relations is receiving active consideration by the Association of American Railroads at the present time. As regards the Association supervising the sale of transportation nationally or locally, it is neither feasible nor desirable that the Association should plan, conduct, or supervise the sale of passenger transportation or direct local advertising. These are obviously duties and functions of the individual managements.

RECOMMENDATION 19

Vest in the Association of American Railroads the function of, and charge it with the full responsibility for, creating a single nation-wide passenger service, by appropriately unifying railway facilities, terminals, equipment, trains, and schedules, and coordinating, by contract or joint rates and arrangements, railway, highway, airway, and waterway transportation.

COMMENT

Coordination is not feasible under any national or general basis. It is only possible in specific instances where, after study and analysis a possible net saving in railroad operations can be made.

That the railroads should be expected to even consider coordination with competing agencies of transportation is repugnant to the interests of the railroad owners and can only result to the disadvantage of the railroad companies and to the advantage of their subsidized competitors.

Exhibit II - Summary of Conclusions - A.A.R. Committee

1. We are unanimously of the opinion that there is nothing in the passenger report of value to the carriers for general application nationally. This conclusion is supported not only as a result of our individual study of the report but as well by every report that we have received from committees, individual roads, and from individuals with whom this subject has been discussed.

2. The report is in some instances contradictory and is largely based on theory and opinion, as illustrated by the fact that cheaper service on the one hand is advocated and on the other a kind of service which would cost infinitely more to provide than under existing practices.

3. Many of the suggestions represent no more than existing practices of the carriers which have been in effect for many years.

4. Revolutionary changes in equipment such as are apparently proposed if made would have to be accomplished over a long period of time through the natural evolution of retirements and cannot be brought about as an abrupt transition. To make any such general change within a short period of time would jeopardize the finances of any railroad company.

5. Some practices have been recommended which have heretofore been tried and discarded and others that are now in the experimental state, in connection with which no present sound conclusions can as yet be reached.

6. In our opinion, there is no possibility of the saving of $6,000,000 in the overhead of The Pullman Company by having the railroads operate that equipment, for the very obvious reason that the larger railroads would have to create and maintain a special department and the smaller roads would have to increase existing forces. Whether or not the combined cost of maintaining such additional organizations and increased forces would be more or less than the present overhead of The Pullman Company is problematical, but in our judgment it would be in excess of the present costs of The Pullman Company and, in addition thereto, would materially reduce present efficiency in operation.

7. Coordination of terminal facilities and passenger train service is a matter that can only be handled by a study of the particular terminal or service involved.

8. We doubt the propriety of the Association definitely going on record as to the proposal in the report covering fares on four separate bases, depending upon the nature of the service. This for the reason that there is at the present time pending for decision a national investigation instituted by the Interstate Commerce Commission, and in some quarters at least under those conditions there might arise criticism of any positive expressions from the Association at this time on this subject. We do believe, however, that the pricing of transportation for passenger travel is solely a managerial function which should be exclusively in the control of the railroad companies, subject to review by the Interstate Commerce Commission only to the extent of its determining whether such charges are just, reasonable and nondiscriminatory.

It is our opinion that neither the Coordinator's organization nor this Association ought to attempt to recommend the basis for fares for passenger transportation, that this is a matter which obviously should be handled by territories and they should have freedom in setting such bases as in their judgment will best meet their necessities.

9. Since it is a well recognized fact that much of the automobile travel could not be transferred to rail travel even if the railroads handled such business free, the conclusion that such automobile travel is largely available to the railroads is greatly exaggerated.

10. The vesting in the Association of American Railroads of the duty of market research and analysis; design and prescription of service, schedules and routes, pricing, tariff making and publication; and division and clearing of joint revenues; and vesting in this Association sole responsibility for the re-creation of an American rail travel market, and specifically for a continuous aggressive campaign of local advertising; and for the planning, conduct and supervision of the sale of passenger transportation; as well as vesting in the Association the function of and charge it with the full responsibility for creating a single nationwide passenger service, by appropriately unifying railway facilities, terminals, equipments, trains, and schedules; and coordinating, by contract or joint rates and arrangements, railway, highway, airway, and waterway transportation, is not practical or feasible.

Date Due

Jan. 11

JAN 2 6 1960

MSH 01714

NEL MAY 04 1994

D530.641 Un32
US Fed Coord. of Transp
Conclusions on passenger traffic
MAR 4 1937

D
530.641
Un 32

COLUMBIA UNIVERSITY LIBRARIES
0044259611

DEC 7 1936

END OF
TITLE